Forest Management
2011 Annual audit
Report for:

Lindsay and Dixon Ltd
In
Tuatapere, South Island, New Zealand

Report Finalized: 24 February 2012
Audit Dates: 10 - 13 October, 2011
Audit Team: Addis Tsehaye
Certificate code(s): SW-FM/COC-001148
Certificate issued: 10 November, 2008
Certificate expiration: 9 November, 2013
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TABLE OF CONTENTS

1. INTRODUCTION ....................................................................................................................................3

2. AUDIT FINDINGS AND RESULTS ........................................................................................................3
  2.1. AUDIT CONCLUSION ...........................................................................................................................3
  2.2. CHANGES IN FME’S FOREST MANAGEMENT AND ASSOCIATED EFFECTS ON CONFORMANCE TO
       STANDARD REQUIREMENTS: ...........................................................................................................................3
  2.3. STAKEHOLDER ISSUES (COMPLAINTS/DISPUTES RAISED BY STAKEHOLDERS TO FME OR SMARTWOOD
       SINCE PREVIOUS EVALUATION): ..............................................................................................................4
  2.4. CONFORMANCE WITH APPLICABLE NON CONFORMITY REPORTS ......................................................6
  2.5. NEW CORRECTIVE ACTIONS ISSUED AS A RESULT OF THIS AUDIT ....................................................9
  2.6. AUDIT OBSERVATIONS .....................................................................................................................10

3. AUDIT PROCESS ................................................................................................................................11
  3.1. AUDITORS AND QUALIFICATIONS: ......................................................................................................11
  3.2. AUDIT SCHEDULE ............................................................................................................................12
  3.3. SAMPLING METHODOLOGY: ..............................................................................................................13
  3.4. STAKEHOLDER CONSULTATION PROCESS .........................................................................................14
  3.5. CHANGES TO CERTIFICATION STANDARDS....................................................................................15
  3.6. REVIEW OF FME DOCUMENTATION AND REQUIRED RECORDS....................................................15

APPENDIX I: FSC Annual Audit Reporting Form: .......................................................................................17

APPENDIX II: SmartWood Database Update Form....................................................................................19
1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Lindsay and Dixon Ltd, hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of SmartWood auditors who have evaluated company systems and performance against FSC forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through corrective action requests.

SmartWood audit reports include information which will become public information. Sections 1-3 will be posted on SmartWood’s website according to FSC requirements. All appendices will remain confidential.

Dispute resolution: If SmartWood clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact SmartWood regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company’s conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:

- ![ ] Certification requirements met, certificate maintenance recommended
  Upon acceptance of NCR(s) issued below

- ![ ] Certification requirements not met:

Additional comments: 1 Minor NCR issued during this audit.

Issues identified as controversial or hard to evaluate: N/A

2.2. Changes in FMEs’ forest management and associated effects on conformance to standard requirements:

There had been no changes since the last audit that has any effect on the FME’s forest management system (covering silvicultural and harvesting methods – the single tree or small group harvesting method is still being followed. Also, there was no change in the scope of the FME’s certification; nor there were changes, either addition or subtraction in the area of the forest estate (comprising seven forest blocks) the company has been certified for. Also, no change has taken place affecting the FME’s compliance with the national forestry laws and regulations; or any other issues such as illegal activities within the forest estate; social conflicts, natural disaster or any form of forest pest outbreak.
FME used to have separate CoC certificate (SW-COC-000797) for its sawmill, but decided to combine the FM/CoC and CoC certificate by including the sawmill in the scope of FM/CoC. CARs issued last year in both FM/CoC audit and CoC audit are evaluated in this report.

2.3. **Stakeholder issues** *(complaints/disputes raised by stakeholders to FME or SmartWood since previous evaluation):*

Stakeholders contacted during the audit were randomly selected from within the FME’s stakeholders register. The majority of those interviewed reflected that they have a positive relationship with the FME. These include representatives of the major stakeholders of the forest: iwi (Maori peoples), neighbors, regulatory bodies, experts and contractors. The FME has strong relationship with regulatory bodies. The Ministry of Agriculture and Forestry (MAF) regulates and controls the sustainable management of indigenous forest in the country. Interview with senior experts of the Indigenous Forestry Unit, MAF confirmed that FME follows all the requirements by MAF and working in close consultation and collaboration with the Indigenous Forestry Unit. The Department of Labour regulates the health and safety of employees. Interview with the Department’s representative reflected the FME is compliant with its regulations. Environment Southland and Southland District Council are local government bodies which regulates the FME’s forestry operation environmental effects. Interviews with representatives of these organizations confirmed that the FME has achieved a very high standard in its environmental management.

FME has a very positive relationship with its neighbors. It has annual field or open days when the general public and all residents of the neighboring communities are invited to visit the forest and given briefings and lectures, and demonstration about the company’s forest management practice which is in compliant with the national forest laws and regulations and with the FSC principles and criteria.

The following concerns/issues were raised by some of the stakeholders interviewed:

<table>
<thead>
<tr>
<th>Issue raised by stakeholders</th>
<th>Auditor's response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stakeholders stated “We have a very good relationship with Lindsay &amp; Dixon and we are very happy with their operation and management of the forest. However, we have some concerns regarding overcutting of the Silver Beech forests”. The stakeholder asked the auditor to investigate this by communicating with the Senior Advisor at the Indigenous Forestry Unit, MAF who is responsible with regulating and controlling of the annual cutting permits.</td>
<td>The interview with the Senior Advisor of the Sustainable Programmes Directorate, MAF confirmed that FME has never been able to cut allowable cut approved MAF and has never had any concern regarding overcutting. The auditor examined the 2010/11 Annual Harvest summaries interviewed the Management representative and examined the 2010/11 Annual Harvest summary and the Actual Cut/ha vs. Cutting List/ha based on the Annual Log Permit (ALP) granted by MAF. The overall average of the actual cut shown from these documents was 36.5 m³/ha compared with that of 41.9 m³/ha allowable cutting list based on the ALP. This shows that FME has taken less than it is allowed to cut in its 2010/11 permit. After the audit, the auditor also examined randomly selected samples of Post Operation Assessment reports for ten TSAs (tree species).</td>
</tr>
</tbody>
</table>
selection area) from the 2010/11 ALP and found the following results as presented in the table below:

<table>
<thead>
<tr>
<th>TSA</th>
<th>Area (ha)</th>
<th>Maximum Allowable cut (m³)</th>
<th>Deduction for an untreated TSA (m³/ha)</th>
<th>Actual cut (m³)</th>
<th>Over Cutting (m³)</th>
<th>Under Cutting (m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>W4e</td>
<td>35.7</td>
<td>1446</td>
<td>41</td>
<td>1723</td>
<td>277</td>
<td>-</td>
</tr>
<tr>
<td>W3g</td>
<td>27.8</td>
<td>1240</td>
<td>45</td>
<td>401</td>
<td>-</td>
<td>839</td>
</tr>
<tr>
<td>W3f</td>
<td>29.8</td>
<td>1074</td>
<td>36</td>
<td>1033</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>W3e</td>
<td>35.4</td>
<td>1731</td>
<td>49</td>
<td>1497</td>
<td>-</td>
<td>234</td>
</tr>
<tr>
<td>W2e</td>
<td>29.3</td>
<td>1181</td>
<td>40</td>
<td>1157</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>W2d</td>
<td>23.7</td>
<td>1210</td>
<td>51</td>
<td>1319</td>
<td>109</td>
<td>-</td>
</tr>
<tr>
<td>W2c</td>
<td>23.7</td>
<td>885</td>
<td>37</td>
<td>1034</td>
<td>149</td>
<td>-</td>
</tr>
<tr>
<td>W2b</td>
<td>30.0</td>
<td>1234</td>
<td>41</td>
<td>1257</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td>W2a</td>
<td>31.4</td>
<td>1256</td>
<td>40</td>
<td>1219</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>W1d</td>
<td>31.5</td>
<td>1742</td>
<td>55</td>
<td>1255</td>
<td>-</td>
<td>487</td>
</tr>
<tr>
<td>Total</td>
<td>298.3</td>
<td>12999</td>
<td></td>
<td>11895</td>
<td>558</td>
<td>1662</td>
</tr>
</tbody>
</table>

The analysis in the above table shows that while there are overcutting/undercutting variations among the 10 TSAs, the overall average shows a net undercutting of 2 m³/ha (558 m³/298.3 ha = 2 m³/ha).

From the interview with the Senior Advisor at MAF, the data from the 2010/11 Annual Harvest summary and the analysis in the above table, the auditor can conclude that FME is harvesting on less than its net allowable cut approved by MAF, which means there is no net average overcutting.

Although, there is a significant overcutting/undercutting variation between TSAs and trend by the bush crew of overcutting the medium diameter classes (40-70 cm diameter classes) and undercutting of small and large diameter classes (<40 cm classes and >70 cm diameter classes). As there are variations of undercutting and overcutting, Observation is issued to ensure that in the long term, the FME’s actual harvest do not exceed calculated replenishment rates.

(Refer to OBS # 01/11).
2. A stakeholder stated: “We have a minor level concern which came to our attention recently that after harvesting is completed a lot of wood is being removed from the forest for firewood purposes, leaving little debris to cover the forest floor that should enhance future regeneration”. The stakeholder asked the auditor to investigate this issue during his visits at the forest.

The auditor visited and examined 1 current and 3 post-harvest operation sites. The auditor found that only wood that is larger than 10 cm in diameter and is not suitable for sawing (due to shape or size or knot size is removed and processed for firewood and sold to local communities. The branches, twigs and leaves of all harvested trees are left on the forest floor and that leaves ample amount of debris and organic matter covering the forest floor.

3. A stakeholder stated: “Lindsay & Dixon has never established any form of communication with us. We have concerns about the size of culverts used and the native fish passages in streams within their forests. Also, we are concerned about rare and endangered native birds and other animals inhabiting in the forests”.

There are only a few streams where culverts are used in the forest and it was found that installation of the culverts were suitable for an upstream passage for fish.

The FME had commissioned an expert study in 2007 on rare and endangered species. The report is available to the public. The FME is in conformance with the standard with regards to rare, threatened and endangered species (Criterion 6.2).

The auditor examined the FME’s stakeholder engagement records and found that this stakeholder’s organization has never been contacted. While communication between FME and stakeholders can be initiated by either party it is not clear that there is a non-conformity, therefore an observation has been raised.

(Refer to OBS # 03/11).

4. A stakeholder stated: “We do not know about Lindsay & Dixon as they have never contacted us before. We will be very happy to know if the company has a suitable culvert system for fish movement, whether water ways and streams protected and water quality monitored”.

Lindsay & Dixon has a system in place for the protection of water ways and monitoring of water quality and is conformance with relevant criteria. The stakeholder engagement records kept by the FME shows that the stakeholder’s organization has never been contacted. See comments above.

2.4. Conformance with applicable non-conformity reports

The section below describes the activities of the certificate holder to address each applicable non-conformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the SmartWood certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:
<table>
<thead>
<tr>
<th>Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Operation has successfully met the NCR.</td>
</tr>
<tr>
<td>Open</td>
<td>Operation has either not met or has partially met the NCR.</td>
</tr>
</tbody>
</table>

☐ Check if N/A (there are no open NCRs to review)

**CAR 01/10**

**Reference to Standard:** FM-32-New Zealand 6.6.5; 6.6.6

**Nonconformance:**
A mobile fuel tank was left unbundled close to the turning and manoeuvring site of a log extraction vehicle and near the edge of a sloping ground. L&D shall ensure its Fuel and oil spills procedure is strictly followed.

**Corrective Action Request:**
FME shall ensure that mobile fuel tank is bundled and not parked close to the turning and manoeuvring site of a log extraction vehicle and near the edge of a sloping ground.

**Timeline for conformance:**
By the next annual audit

**Evidence to close CAR:**
A new fuel and oil management system has been developed and revised training and monitoring program instigated with the bush crew. Further, the auditor verified the training records and confirmed that the fuel and oil spill procedures and applications were followed and properly implemented by the bush crews during assessment of the current harvesting operation site.

**CAR Status:**
CLOSED

**Follow-up Actions (if app.):**

**CAR 02/10**

**Reference to Standard:** FM-32-New Zealand 8.2

**Nonconformance:**
Organization was unable to present its ‘programme and schedule’ for implementing the planned reconnaissance survey for identifying the presence of the eight species listed as either Nationally Endangered or Nationally Vulnerable in its forest estate.

**Corrective Action Request:**
FME shall present its ‘programme and schedule’ and implement the planned reconnaissance survey for identifying the presence of the eight species listed as either Nationally Endangered or Nationally Vulnerable in its forest estate.

**Timeline for conformance:**
By the next annual audit

**Evidence to close CAR:**
During the 2010 audit, the FME had presented procedure for identifying RTE species and the procedure stated that L&D has developed a programme and schedule for identifying the presence of the eight species listed as either Nationally Endangered or Nationally Vulnerable through 1, change observation and 2, planned reconnaissance survey. The CAR was issued as the auditor did not find any programme or schedule for implementing the planned reconnaissance survey as stated in the procedure. The FME, however, has programme and schedule for observed changes in flora and fauna.
During the 2011 audit, the auditor confirmed that the document has been corrected and the statement: ‘Scheduled reconnaissance survey’ has been removed.

Furthermore, the FME provided the following evidences:

- As part of the original Sustainable Forestry Management Plan, the company commissioned bird life and flora and fauna regional research by various professionals;
- The Company has a policy document entitled "Procedures for Identifying and Managing, Rare, Threatened and Endangered Species";
- Based on specialist advice, a Bat monitoring survey and report was completed in 2009 and documented on file;
- The Company has produced a "Bushmen's Information and Identification Guide" (April 2007) covering the RTE species that may be present in the forests and staff are trained and refreshed on a periodic basis; and
- As a result of the CAR 02/10, management took a proactive stance and contacted the Department of Conservation in Southland to seek their advice and discuss historical data or surveys undertaken with the possibility of a joint approach to a reconnaissance survey. No such information was available - no surveys had been undertaken and no funding was available in the foreseeable future.

In consideration of the above statements, the auditor reviewed the original RTE species assessment report and extensive survey conducted in 2007. From this expert report, the auditor verified that no RTE species were found within the FME’s forests. However, the study indicates that some RTE species including Southern falcon (*Falco novaeseelandiae*) and South Island kaka (*Nestor meridionalis*) were expected to be present in the surrounding forests in the area (but are not necessarily sighted within the FME forests). Based on the findings of this study, Lindsay & Dixon had developed a "Bushmen's Information and Identification Guide" (April 2007), covering the RTE species that may be present in the forests and staff are trained periodically on how to identify these species.

Based on the above evidences, it can be concluded that the FME has addressed the CAR and it can be CLOSED.

<table>
<thead>
<tr>
<th>CAR Status:</th>
<th>CLOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow-up Actions (if app.):</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAR 03/10</th>
<th>Reference to Standard: FM-32-New Zealand 8.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonconformance</td>
<td>Organization has not followed its sustainable forest management plan</td>
</tr>
</tbody>
</table>
Major Minor X for establishing all the 50 permanent sample plots (PSP) or define a programme how and when the establishment of these plots will be completed.

Corrective Action Request:
FME shall ensure that its sustainable forest management plan is followed for establishing all the 50 permanent sample plots (PSP) or define a programme how and when the establishment of these plots will be completed.

Timeline for conformance: By the next annual audit

Evidence to close CAR: The Sustainable Forestry Management Plan specifies that 50 PSP's will be installed over the transition crop area of 5078 hectares. Prior to the 2009 audit, 24 PSP's had been installed over an area of 2,827 hectares. Additional 12 PSP's had been installed after the 2009 audit but prior to the 2010 audit. However, these 12 plots installed prior to the 2010 audit were not properly labeled and the trees were not tagged. In response to this CAR during the 2010 audit, FME has labeled the edges of the plots and tagged the trees tagged according to its PSP identification and tagging procedures, and additional 2 PSPs had been installed. A further 12 plots are planned to be installed in the new Jubilee forest block prior to or at the early stages of harvesting operations commencing in 2012. The auditor had verified this through staff interviews with the organization which has taken the responsibility of establishing the PSPs in the FME’s forests. As the plan has been established and implementation is in progress, this CAR can be CLOSED.

CAR Status: CLOSED
Follow-up Actions (if any):

CAR 01/10 Reference Standard & Requirement: FSC-STD-40-004 1.3.2
Non-conformance: Description of non-conformance:
Major Minor X Organization has not kept FSC training records for its employees. Organization has undertaken FSC staff training but has not kept training records for its employees.

Corrective Action Request:
Organization shall keep FSC training records for its employees.

Timeline for conformance: By the next annual audit

Evidence to close CAR: The auditor reviewed training records and verified that all training records were documented and kept on file.

CAR Status: CLOSED
Follow-up Actions (if any):

2.5. New corrective actions issued as a result of this audit
<table>
<thead>
<tr>
<th>NCR#:</th>
<th>01/11</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FM-32-New Zealand: 7.3.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV, Criterion 7.3.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Non-conformance and Related Evidence:**

“7.3.5 All activities are supervised and monitored sufficiently to ensure that standards and procedures are adequately implemented”.

FME’s harvesting procedure which states the bush crews should have cutting list prior to commencing harvesting operation was not followed.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.

**Timeline for Conformance:**

By the next annual audit

**Evidence Provided by Organization:**

PENDING

**Findings for Evaluation of Evidence:**

PENDING

**NCR Status:**

OPEN

**Comments (optional):**

2.6. **Audit observations**

**Observations** are very minor problems or the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).

**OBS# 01/11 | Reference Standard & Requirement:** FM-32-New Zealand: 5.6.3

**Description of findings leading to observation:**

The Post-operation assessment reports examined during the audit show:

(a) There is a significant overcutting/undercutting variation between TSAs and

(b) There is overcutting/undercutting variation within each TSA, specifically there is a trend of over cutting the medium diameter classes (40 – 70 cm diameter classes) and undercutting of small and large diameter classes (<40 cm diameter classes and >70 cm diameter classes).

**Observation:**

FME should ensure that the actual harvest do not exceed calculated replenishment rates over the long term.
<table>
<thead>
<tr>
<th>OBS#  02/11</th>
<th>Reference Standard &amp; Requirement: FM-32-New Zealand: 4.4.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of findings leading to observation:</td>
<td></td>
</tr>
<tr>
<td>Some names listed in the stakeholders register were not current as the persons listed in the register have left their address and replaced by new owner/occupiers.</td>
<td></td>
</tr>
<tr>
<td>Observation:</td>
<td></td>
</tr>
<tr>
<td>FME should maintain their stakeholders register so that names listed in the stakeholders register are current and up-to-date</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OBS#  03/11</th>
<th>Reference Standard &amp; Requirement: FM-32-New Zealand: 4.4.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of findings leading to observation:</td>
<td></td>
</tr>
<tr>
<td>During stakeholders consultation, the auditor has confirmed that some stakeholders listed in the register have never been contacted by FME.</td>
<td></td>
</tr>
<tr>
<td>Observation:</td>
<td></td>
</tr>
<tr>
<td>FME should ensure that all stakeholders listed in its register are contacted and consulted about its forest operations management.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OBS#  04/11</th>
<th>Reference Standard &amp; Requirement: FSC-STD-40-004  2.1.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of findings leading to observation:</td>
<td></td>
</tr>
<tr>
<td>The FME management and staff have not updated the product group according to the new classification of FSC-STD-40-004 V2-1.</td>
<td></td>
</tr>
<tr>
<td>Observation:</td>
<td></td>
</tr>
<tr>
<td>FME should update its COC procedure and ensure that the appropriate product group as defined (by FSC-STD-40-004 V2-1) are applied in their FSC claim on sales and shipping documents by 01 June 2012.</td>
<td></td>
</tr>
</tbody>
</table>

## 3. AUDIT PROCESS

### 3.1. Auditors and qualifications:

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Addis Tsehaye</th>
<th>Auditor role</th>
<th>Lead Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addis Tsehaye has PhD and M.For.Sc (Distinction) Degrees from the University of Canterbury, New Zealand and a B.Sc (Honors) Degree from the University of Wales, UK. Currently working as a Forestry Field Officer and Auditor with a New Zealand Government Enterprise organization, AsureQuality Ltd. He is a professional forester and specialist in wood products and wood processing industries with over 25 years experience in the field. He has extensive management and organizational experience as Head of Technical Department, Forest Products Research Centre in Addis Ababa, Ethiopia. He had also worked as international consultant in his native country Ethiopia, and other African countries including Zambia, Kenya, Uganda, Burundi and Swaziland for the United Nations Development Program (UNDP), the Food and Agricultural</td>
<td>Addis Tsehaye</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Addis has Completed the ISO 22000 FSMS Lead Auditor training in 2007, and attended the SmartWood/Rainforest Alliance Auditor Training in Bogor, Indonesia in June 2008. Addis has been auditor and a Lead auditor with SmartWood/Rainforest Alliance for several FM/COC audits in New Zealand since 2008, and has completed an FM CW assessment in Australia in January 2011.

### 3.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /Main sites</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/10/11</td>
<td>Air and land transport</td>
<td>• Travel to Invercargill;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Travel to Tuatapere</td>
</tr>
<tr>
<td>10/10/11</td>
<td>L&amp;D Office, Tuatapere</td>
<td>• Opening meeting, Document review and review of conformance on CAR/OBS raised in the 2010 audit;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interview of top management and administrative staffs; interview of the forestry consultant;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Phone interview of the Waitutu Maori tribe representatives, representing the iwi;</td>
</tr>
<tr>
<td>11/10/11</td>
<td>L&amp;D forests</td>
<td>• Site visits in the forest and examining logging operation sites and interview of logging crews;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Examine environmental impacts (including soil, water and plants) caused by L&amp;D forest operation activities;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Assessment of firewood removal from the forest;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Assessment of forest regeneration in the coupe harvested areas.</td>
</tr>
<tr>
<td>12/10/11</td>
<td>L&amp;D Office, Tuatapere</td>
<td>• Interview of stakeholders (mainly by phone);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Visits at the log depot, sawmilling and green-chain processes, kiln drying and dry-chain processes and final product dispatch to the market;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interview of employees involved within these processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Examining financial documents and interview of administration staff related to finance and staff training;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interview of top management representatives;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Stakeholders consultation and interview via phone calls</td>
</tr>
<tr>
<td>13/10/11</td>
<td>L&amp;D Office, Tuatapere</td>
<td>• Further documents review;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Examine the COC system and procedures;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Interview of management representative other staffs involved in the COC management</td>
</tr>
<tr>
<td>13/10/11</td>
<td>L&amp;D Office, Tuatapere</td>
<td>• Closing meeting;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Departure of auditor</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 4
-number of auditors participating 1 X number of days spent in preparation, on site and post site visit follow-up
3.3. **Sampling methodology:**

The audit strategy was to achieve results from observations (people on the job and documentation); interview/questioning and listening and site inspections. Key employees and other staff involved in the processing and documentation of FSC-certified products within the company were interviewed.

Prior to and during the opening meeting, FME supplied the auditor written documents and procedures covering various aspects of its operation. These include the sustainable forest management plan; Preliminary Internal Assessment on Conformance for 2011 FSC Audit; Response to the 2010 FSC raised CARs and Observations; Forest maps; Silvicultural Management of the Longwood Silver Beech Forests; Procedure for Harvesting; Annual Harvest Plan; Annual Yield Summary; Pre- and Pot-Harvest Operation Assessments; environmental management (natural vegetation and reserves, monitoring of water quality and pest management strategy); Employment policy and contracts and financial documents; Expert reports on Research in western Southland beech forests, On effects of thinning on Silver beech regeneration and growth and On economic returns from timber and carbon production. The auditor reviewed and examined all of the documents supplied, which are closely related to the FSC Principles and Criteria for the evaluation.

The selection of the stakeholder consultation was based on the importance or relation of the stakeholder to the FME. Priority was given to regulatory bodies (central and local government bodies); contractors and neighbouring farming communities.

Following the opening meeting, the auditor selected the FMU samples for evaluation. The selection was carried out in consultation with the Operations Manager, Mr. Craig Unahi and the Indigenous Forestry Consultant, Mr. Roger May. While selecting the FMUs, the main point taken into consideration was time optimization (identifying sites where multiple facets of management can be observed). FMUs are all natural forest with no any silvicultural management activity; hence the diversity of sites within the forest in terms of management is very limited.

The following factors were taken into consideration:

- Current and post-harvesting sites
- Wood tracking system
- Road and bridge construction
- Forest regeneration
- Sites related to stakeholder issues (specifically removal of non-recoverable wood from the forest for firewood purposes)

The list of sites and rationale for selection is presented in 3.3.1 below.

### 3.3.1 List of FMUs selected for evaluation

<table>
<thead>
<tr>
<th>FMU Name (Block FMU)</th>
<th>TSA</th>
<th>Rationale for Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood low Block W2c</td>
<td></td>
<td>This is an old harvested site. It was reported that Falcon nesting was discovered during the beginning of harvesting and the procedures forest crews followed during this</td>
</tr>
</tbody>
</table>
discovery was reviewed; there are forest road and trucking system handling used and the auditor examined how these were managed after harvesting was completed; finally a stakeholder raised an issue regarding over removal of non-recoverable wood from the forest for firewood and the auditor examined what type of wood and how much was removed and how much was left to on the forest floor as sources of organic matter to initiate future regeneration.

| Wood low Block | W2b  | This was a post-harvest area where the old coupe harvesting system was in operation. The auditor examined how the 15% of the remaining trees not harvested in the last coupe system were harvested and examined the level of regeneration on areas harvested in the coupe system prior to 2005. The auditor also examined the firewood removal level - what type of wood and how much was removed and how much was left to on the forest floor as sources of organic matter to initiate future regeneration. |
| Wood low Block | W3c  | This was a post-harvest area where Post -harvest Assessment has not been completed. The auditor examined the appropriate removal of recoverable wood and how the forest roads and trucking systems were managed during the harvesting operation including road side cut offs to divert silt and sediment and protect water ways and flood diversion mechanisms used during the construction of the forest roads and skid sites. Here too the auditor examined the firewood removal level. |
| Wood low Block | W5a  | This was a current harvesting site. The auditor examined the harvesting operation (including tree felling, log extraction to the skid site). The auditor also examined the recoverable wood removal from the forest including firewood and the environmental management such as management of fuel and oil by the bush crew and reviewed stream crossing and interview harvesting crew. Also, silt and sediment prevention methods installed beside the forest roads was examined. |
| Gamboot Block | 3 sites | Three sites were visited in Gamboot Block to examine the level of regeneration in the old 0.5 ha coupe harvested forests prior to 2005. Coupe harvesting was practiced by the FME prior to 2005 which was then replaced by small group/single tree harvesting system (TSA). |

3.4. Stakeholder consultation process

<table>
<thead>
<tr>
<th>Stakeholder type (i.e. NGO, government, local inhabitant etc.)</th>
<th>Stakeholders notified (#)</th>
<th>Stakeholders consulted or providing input (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Local government</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Iwi</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Contractors</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Experts</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
3.5. Changes to Certification Standards

<table>
<thead>
<tr>
<th>Forest stewardship standard used in audit:</th>
<th>Rainforest Alliance/SmartWood Interim Standard for Assessing Forest Management in New Zealand (FM-32 - New Zealand), SmartWood Chain-of-Custody Standard for Forest Management Enterprises (FM - 35) FSC-STD-40-004 V 2-0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revisions to the standard since the last audit:</td>
<td>☑ No changes to standard.</td>
</tr>
<tr>
<td></td>
<td>☐ Standard was changed (detail changes below)</td>
</tr>
<tr>
<td>Changes in standard:</td>
<td>Standards themselves have not changed, but the full FSC-STD-40-004 V2-0 is newly added. FME used to have separate CoC certificate (SW-COC-000797) for its sawmill, but decided to combine the FM/CoC and CoC certificate by including the sawmill in the scope of FM/COC.</td>
</tr>
<tr>
<td>Implications for FME:</td>
<td>Conformance to new requirements verified</td>
</tr>
</tbody>
</table>

3.6. Review of FME Documentation and required records

a) All certificate types

<table>
<thead>
<tr>
<th>Required Records</th>
<th>Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints received by FME from stakeholders, actions taken, follow up communication</td>
<td>Y ☐ N ☑</td>
</tr>
<tr>
<td>Comments: FME has appropriate mechanism and procedures in place to resolve disputes. Its 'Policy and Procedure for Complaints &amp; Disputes Resolution' presents a clear guideline how Lindsay &amp; Dixon records, investigates and responds in timely manner, and seeks to learn from any complaints received about its forest management operation.</td>
<td></td>
</tr>
<tr>
<td>Accident records</td>
<td>Y ☐ N ☑</td>
</tr>
<tr>
<td>Comments: FME has an Accident Reporting Folder which contains all incident/accident reports. Each accident/incident report contains a summary containing types of accidents, time and date when the accident took place and was reported, location where the accident took place, name of employee involved in the accident, how the accident happened, what remedial action has taken place. The auditor has verified that no serious accidents have taken place in the last 12 months. FME has implemented a worker safety programme in which every employee has signed a health and safety declaration with a detail instruction how to minimize/eliminate hazards in their work place.</td>
<td></td>
</tr>
<tr>
<td>Training records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Comments: The auditor has reviewed FME’s training records and verified that FME's employees and contracting companies’ employees have completed internal training in the following areas: General safety instruction in their work areas, the use of machinery and equipment in their work areas, Introduction about FSC principles and Criteria including the COC system and applications in their work areas; and about how to identify and what to do during accidental discovery of RTE species and special or cultural sites of the indigenous Maori people. Also, some of the bush crews and sawmill and timber processing workers have completed external trainings that require national unit standards for working with and operating machinery and equipment within the forest industry.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational plan(s) for next twelve months</th>
<th>Y ☒ N ☐</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments: The auditor has reviewed the operational plan for the next 12 months which comprises the major areas of activities: land preparation, establishment, tending, maintenance and protection and safety and environment. The auditor has also reviewed the next 12 months financial budget, allocated to each operational activity and confirmed that the budget is inline with the expected output.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inventory records</th>
<th>Y ☒ N ☐</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments: The auditor has reviewed the inventory records. The inventory data supplied was available for each crop type, namely Silverbeech, Other Hardwoods and Podocarp. For Silverbeech which is the main commercial species, all strata making up this crop type is completed with a total forest area and recoverable volume. The recoverable volume is inturn segregated by grades: veneer peeler, sawlog and firewood. For the other two crop types only the forest areas and volumes are given.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Harvesting records</th>
<th>Y ☒ N ☐</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments: The harvesting records show the total volume of (cu.m) of wood harvested in the last 12 months (October 2010 to September 2011). Of this total volume of wood harvested, over 86% comes from Sliver beech and only the remaining 14% from other hardwood species.</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX I: FSC Annual Audit Reporting Form:

(NO\TE: form to be prepared by the client prior to audit, information verified by audit team)

Forest management enterprise information:

<table>
<thead>
<tr>
<th>FME legal name:</th>
<th>Lindsay &amp; Dixon Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>FME Certificate Code:</td>
<td>SW-FM/CoC – 001148</td>
</tr>
<tr>
<td>Reporting period</td>
<td>Previous 12 month period</td>
</tr>
<tr>
<td>Dates</td>
<td>01 April 2010 - 31 March 2011</td>
</tr>
</tbody>
</table>

1. Scope Of Certificate

Type of certificate: single FMU  
SLIMF Certificate: not applicable  
New FMUs added since previous evaluation: Yes ☐ No ☒

Group Certificate: Updated of FMU and group member list provided in Appendix VII-a:  
Multi-FMU Certificate: List of new FMUs added to the certificate scope:

<table>
<thead>
<tr>
<th>FMU Name/Description</th>
<th>Area</th>
<th>Forest Type</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMU Name/Description</td>
<td>ha</td>
<td>ha</td>
<td>ha</td>
</tr>
</tbody>
</table>

2. FME Information

☒ No changes since previous report (if no changes since previous report leave section blank)

Forest zone  
Certified Area under Forest Type
- Natural hectares  
- Plantation hectares  
Stream sides and water bodies Linear Kilometers

3. Forest Area Classification

☒ No changes since previous report (if no changes since previous report leave section blank)

Total certified area hectares  
Total forest area in scope of certificate hectares  
Ownership Tenure

Management tenure:
- Forest area that is:
  - Privately managed hectares  
  - State/Public managed hectares  
  - Community managed hectares  
Area of production forests (areas where timber may be harvested) hectares  
Area without any harvesting or management activities: strict forest reserves hectares
5. High Conservation Values identified via formal HCV assessment by the FME and respective areas

No changes since previous report (if no changes since previous report leave section blank)

<table>
<thead>
<tr>
<th>Code</th>
<th>HCV TYPES</th>
<th>Description:</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCV1</td>
<td>Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).</td>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV2</td>
<td>Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.</td>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV3</td>
<td>Forest areas that are in or contain rare, threatened or endangered ecosystems.</td>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV4</td>
<td>Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).</td>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV5</td>
<td>Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).</td>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV6</td>
<td>Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).</td>
<td></td>
<td>ha</td>
</tr>
</tbody>
</table>

TOTAL HCVF AREA | ha

Number of sites significant to indigenous people and communities

3. Workers

Number of workers including employees, part-time and seasonal workers:

<table>
<thead>
<tr>
<th>Total number of workers</th>
<th>31 workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Of total workers listed above</td>
<td>24 Male</td>
</tr>
</tbody>
</table>

Number of serious accidents | 0 |

Number of fatalities | 0 |

6. Pesticide Use

FME does not use pesticides.

---

1 The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at [http://hcvnetwork.org/library/global-hcv-toolkits](http://hcvnetwork.org/library/global-hcv-toolkits).
APPENDIX II: SmartWood Database Update Form

Instructions: For each FSC certificate, SmartWood is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit SW auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (http://www.fsc-info.org)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), note only the changes to the database information in the section below.
4. The changes identified to this form will be used by the SW office to update the FSC database.

Is the FSC database accurate and up-to-date? YES ☒ NO ☐
(if yes, leave section below blank)

Client Information (contact info for FSC website listings)

<table>
<thead>
<tr>
<th>Organization name</th>
<th>Lindsay &amp; Dixon Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Contact</td>
<td>Title</td>
</tr>
<tr>
<td>Primary Address</td>
<td>Telephone</td>
</tr>
<tr>
<td>Address</td>
<td>Fax</td>
</tr>
<tr>
<td>Email</td>
<td>Webpage</td>
</tr>
</tbody>
</table>

Forests

<table>
<thead>
<tr>
<th>Change to Group Certificate</th>
<th>☐ Yes ☐ No</th>
<th>Change in # of parcels in group</th>
<th>total members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total certified area</td>
<td>Hectares (or)</td>
<td>Acres</td>
<td></td>
</tr>
</tbody>
</table>

Species (note if item to be added or deleted)

<table>
<thead>
<tr>
<th>Scientific name</th>
<th>Common name</th>
<th>Add/Delete</th>
</tr>
</thead>
</table>

Products

<table>
<thead>
<tr>
<th>Product type</th>
<th>Description</th>
<th>Add/Delete</th>
</tr>
</thead>
</table>